

FEDERAL

C/007/0013

May 8, 2006

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801
(801) 538-5340

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This permit, C/007/0013, is issued for the state of Utah by the Utah Division of Oil, Gas and Mining (Division) to:

UtahAmerican Energy, Inc.
PO Box 187
Saint Clairsville, Ohio 43950-0187

for the Horse Canyon Mine. Two surety bonds are filed with the Division in the amount of \$2,618,328 payable to the State of Utah, Division of Oil, Gas and Mining and the United States Department of Interior, Office of Surface Mining Reclamation and Enforcement (OSM). The Division must receive a copy of this permit signed and dated by the permittee.

Sec. 1 STATUTES AND REGULATIONS - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.

Sec. 2 PERMIT AREA - The permittee is authorized to conduct coal mining and reclamation operations on the following described lands within the permit area at the Horse Canyon Mine, situated in the state of Utah, Carbon and Emery Counties, and located:

Beginning at the SW corner of the SE1/4 SE1/4 of Section 5, T16S, R14E, SLBM; and running thence North 660 feet; thence East 2640 feet; thence North 660 feet; thence East 1980 feet; thence North 660 feet; thence approximately N 45° East 4800 feet, more or less; thence approximately N 70° W 1250 feet more or less; thence West 250 feet; thence approximately N 28° W 1320 feet more or less; thence approximately N 65° E 580 feet more or less; thence approximately N 13° E 600 feet more or less; thence approximately N 82° W 100 feet more or less; thence approximately N 10° E 1650 feet more or less; thence approximately S 88° E 1030 feet more or less; thence South 260 feet; thence approximately S 88° E 550 feet more or less; thence approximately S 09° W 1940 feet more or less; thence East 300 feet; thence approximately S 20° E 1550 feet more or less; thence approximately N 68° E

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DIV. OF OIL, GAS & MINING

100 feet more or less; thence approximately S 20° E 250 feet more or less; then approximately N 20° W 1120 feet more or less; N 68° E 2170 feet more or less; thence approximately N 20° W 1120 feet more or less; thence approximately N 68° E 600 feet more or less; thence East 200 feet; then approximately S 20° E 2800 feet more or less; thence approximately S 68° W 300 feet more or less; thence South 500 feet; thence West 1200 feet; thence South 300 feet; thence East 450 feet; thence South 380 feet; thence West 400 feet; thence approximately S 22° E 1310 feet more or less; thence East 1240 feet; thence approximately S 45° E 660 feet more or less; thence South 1000 feet; thence West 2650 feet; thence approximately S 22° E 2140 feet more or less; thence approximately N 68° E 1010 feet more or less; thence approximately N 22° W 700 feet more or less; thence approximately N 68° E 540 feet more or less; thence approximately S 22° E 500 feet more or less; thence approximately S 63° W 300 feet more or less; thence approximately S 22° E 600 feet more or less; thence approximately S 68° W 400 feet more or less; thence approximately N 22° W 110 feet more or less; thence approximately S 68° W 850 feet more or less; thence approximately S 22° E 1150 feet more or less; thence approximately S 89° E 350 feet more or less; thence South 100 feet; thence East 450 feet; thence South 2600 feet; thence approximately S 77° W 300 feet more or less; thence approximately N 2° W 1270 feet more or less; thence approximately N 22° W 1120 feet more or less; thence approximately S 68° W 2150 feet more or less; thence approximately N 22° W 200 feet more or less; approximately S 68° W 1950 feet more or less; thence approximately S 22° E 650 feet more or less; thence approximately S 8° W 560 feet more or less; thence approximately S 68° W 50 feet more or less; thence approximately N 22° W 1480 feet more or less; thence approximately N 68° E 2250 feet more or less; thence approximately N 22° W 5410 feet more or less; thence West 2000 feet; thence South 520 feet; thence West 1350 feet; thence South 1320 feet; thence West 660 feet to the NW corner of the NE1/4 NE1/4 of Section 9, T16S, R14E, SLBM; thence South 1320 feet; West 5280 feet; North 1320 feet to the point of beginning.

Less the following portions thereof:

- (a) Beginning approximately 700 feet South from the NW corner of Lot 11, Section 3, T16S, R14E, SLBM; thence East 700 feet; thence North 800 feet; thence approximately S 22° E 1600 feet more or less; thence approximately S 48° W 300 feet more or less; thence West 870 feet; thence approximately N 22° W 300 feet more or less; thence North 650 feet more or less to the point of beginning.
- (b) Beginning 590 feet North of the center of Section 3, T16S, R14E, SLBM; thence North 1120 feet more or less; thence W 750 feet; thence approximately N 22° W 660 feet more or less; thence approximately N 75° E 1460 feet more

or less; thence approximately S 22° E 2080 feet more or less; thence approximately S 75° E 100 feet more or less; thence approximately S 22° E 2500 feet more or less; thence West 1730 feet; thence approximately N 22° W 2320 feet more or less; thence East 300 feet more or less to the point of beginning.

- (c) Beginning 350 feet East of the NW corner of Section 11, T16S, R14E, SLBM; thence S 22° E 2720 feet more or less; thence approximately S 68° W 1650 feet more or less; thence approximately N 22° W 4800 feet more or less; thence approximately N 10° E 500 feet more or less; thence East 1400 feet more or less; thence approximately S 22° E 2020 feet more or less to the point of beginning.

Emery County Road to be Excluded:

A strip of land, 100.00 feet wide, 50.00 feet on each side of the following described centerline of Range Creek Road.

Beginning at a point which is East 621.06 feet and North 39.54 feet from the Southwest corner of Section 4, T. 16 S., R. 14 E, SLM, said point being at the intersection of County Road No. 125 and the existing centerline of Range Creek Road; Thence S 87° 00'53" E. 165.69 feet along said centerline; Thence N 88° 25'42" E, 757.20 feet along said centerline; Thence N 83° 28'57" E, 279.73 feet along said centerline; Thence N 74° 02'43" E, 332.77 feet along said centerline; Thence N 66° 30'57" E, 317.97 feet along said centerline; Thence widening to:

A strip of land 235.00 feet wide, 160.00 feet on the Left side, and 75.00 feet on the Right side of the following described centerline of Range Creek Road.

Thence N 66° 30'57" E, 17.14 feet along said centerline; Thence N 54° 43'42" E, 62.22 feet along said centerline; Thence narrowing to:

A strip of land 100.00 feet wide, 50.00 feet on each side of the following described centerline of Range Creek Road.

Thence N 54° 43'42" E, 244.85 feet along said centerline; Thence N 41° 39'08" E, 321.41 feet along said centerline; Thence N 40° 51'58" E, 215.74 feet along said centerline; Thence widening to:

A strip of land, 200.00 feet wide, 100.00 feet on each side of the following described centerline of Range Creek Road.

Thence N 59° 06'40" E, 77.29 feet along said centerline; Thence 68° 56'20" E, 255.57 feet along said centerline; Thence narrowing to:

A strip of land 100.00 feet wide, 50.00 feet on each side of the following described centerline of Range Creek Road.

Thence N 54° 03'37" E, 161.53 feet along said centerline; Thence 38° 29'53" E, 111.54 feet along said centerline; Thence N 10° 29'24" E, 97.46 feet along said centerline; Thence N 2° 27'45" E, 256.08 feet; Thence widening to:

A strip of land 235.00 feet wide, 126.00 feet on the Left side and 109.00 on the Right side of the following described centerline.

Thence N 2° 27'45" E, 84.52 feet; Thence narrowing to:

A strip of land 100.00 feet wide, 50.00 feet on each side of the following described centerline.

Thence N 2° 27'45" E, 94.87 feet; Thence N 15° 55'38" R, 134.45 feet; Thence N 16° 36'59" E, 49.47 feet; Thence N 23° 28'48" E, 40.00 feet; Thence N 34° 43'52" E, 59.69 feet; Thence N 40° 25'06" E, 38.84 feet; Thence N 40° 34'17" E, 98.71 feet; Thence N 55° 32'59" E, 282.33 feet; Thence N 52° 22'34" E, 239.37 feet; Thence N 56° 43'07" E, 331.37 feet to the existing centerline of Range Creek Road; Thence N 64° 44'50" E, 44.68 feet along said centerline; Thence widening to:

A strip of land 225.00 feet wide, 71.00 feet on the Left side, and 154.00 feet on the Right side of the following described centerline of Range Creek Road.

Thence N 64° 44'50" E, 4.76 feet along said centerline; Thence N 79° 53'20" E, 59.83 feet along said centerline; Thence N 82° 54'25" E, 29.97 feet along said centerline; Thence narrowing to:

A strip of land 100.00 feet wide, 50.00 feet on each side of the following described centerline of Range Creek Road.

Thence N 82° 54'25" E, 44.66 feet along said centerline; Thence N 73° 22'16" E, 89.66 feet along said centerline; Thence N 52° 54'37" E, 55.23 feet along said centerline of the East line of said Section 4 at a point which is N 0° 02'00" W, 2882.11 feet from the Southwest corner of Section 3. T. 16 S., R. 14 E., SLM; Thence N 52° 54'37" E, 217.93 feet along said centerline;

This legal description is for the permit area of the Horse Canyon Mine. The permittee is authorized to conduct coal mining and reclamation operations on the foregoing

described property subject to the conditions of all applicable conditions, laws and regulations.

- Sec. 3 COMPLIANCE** - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.
- Sec. 4 PERMIT TERM** - This permit is effective on May 6, 2006 and expires on May 6, 2011.
- Sec. 5 ASSIGNMENT OF PERMIT RIGHTS** - The permit rights may not be transferred, assigned or sold without the approval of the Division Director. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13{e} and R645-303-300.
- Sec. 6 RIGHT OF ENTRY** - The permittee shall allow the authorized representative of the Division, including but not limited to inspectors, and representatives of the Office of Surface Mining Reclamation and Enforcement (OSM), without advance notice or a search warrant, upon presentation of appropriate credentials, and without delay to:
- (a) have the rights of entry provided for in 30 CFR 840.12, R645-400-220, 30 CFR 842.13 and R645-400-110;
 - (b) be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-100 and R645-400-200 when the inspection is in response to an alleged violation reported to the Division by the private person.
- Sec. 7 SCOPE OF OPERATIONS** - The permittee shall conduct coal mining and reclamation operations only on those lands specifically designated as within the permit area on the maps submitted in the approved plan and approved for the term of the permit and which are subject to the performance bond.
- Sec. 8 ENVIRONMENTAL IMPACTS** - The permittee shall take all possible steps to minimize any adverse impact to the environment or public health and safety resulting from noncompliance with any term or condition of the permit, including, but not limited to:
- (a) Any accelerated or additional monitoring necessary to determine the nature and extent of noncompliance and the results of the noncompliance;
 - (b) immediate implementation of measures necessary to comply; and

- (c) warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.

Sec. 9 DISPOSAL OF POLLUTANTS - The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program and the Federal Lands Program which prevents violation of any applicable state or federal law.

Sec. 10 CONDUCT OF OPERATIONS - The permittee shall conduct its operations:

- (a) In accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and
- (b) Utilizing methods specified as conditions of the permit by the Division in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 11 EXISTING STRUCTURES - As applicable, the permittee will comply with R645-301 and R645-302 for compliance, modification, or abandonment of existing structures.

Sec. 12 RECLAMATION FEE PAYMENTS - The operator shall pay all reclamation fees required by 30 CFR Part 870 for coal produced under the permit, for sale, transfer or use.

Sec. 13 AUTHORIZED AGENT - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.

Sec. 14 COMPLIANCE WITH OTHER LAWS - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq.) and the Clean Air Act (42 USC 7401 et seq), UCA 26-11-1 et seq, and UCA 26-13-1 et seq.

Sec. 15 PERMIT RENEWAL - Upon expiration, this permit may be renewed for areas within the boundaries of the existing permit in accordance with the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 16 CULTURAL RESOURCES - If during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify the Division. The Division, after coordination with OSM, shall inform the permittee of necessary actions required. The permittee

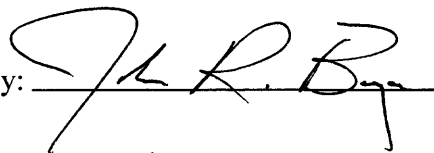
Sec. 17 APPEALS - The permittee shall have the right to appeal as provided for under R645-300-200.

Sec. 18 SPECIAL CONDITIONS - There are special conditions associated with this permitting action as described in attachment A.


The above conditions (Secs. 1-18) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to include these conditions in the contracts between and among them.

These conditions may be revised or amended, in writing, by the mutual consent of the Division and the permittee at any time to adjust to changed conditions or to correct an oversight. The Division may amend these conditions at any time without the consent of the permittee in order to make them consistent with any federal or state statutes and any regulations

THE STATE OF UTAH

By: 
Date: 5/8/06

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.


Authorized Representative of Permittee
Date: 5/16/06

Attachment A

SPECIAL CONDITIONS

1. UtahAmerican Energy, Inc will submit water quality data for the Horse Canyon Mine in an electronic format through the Electronic Data Input web site, <http://hlunix.hl.state.ut.us/cgi-bin/appx-ogm.cgi>.